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FISCAL IMPACT STATEMENT

LS 7292

BILL NUMBER: HB 1398

NOTE PREPARED: Jan 24, 2015

BILL AMENDED:

SUBJECT: Northwest Indiana Regional Development Authority.

FIRST AUTHOR: Rep. Soliday

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: The bill provides for direct distributions of riverboat admissions taxes and supplemental distributions to the Northwest Indiana Regional Development Authority (RDA) to satisfy the obligations of Lake County, East Chicago, Gary, and Hammond to annually transfer money to the RDA.

The bill changes membership requirements for the RDA board. It provides that the RDA may fund projects only to the extent that the project is consistent with certain duties imposed upon the RDA or the Marquette Plan. It provides that funding a project is subject to review by the State Budget Committee.

The bill provides for the intercept of gaming tax revenue to recover unpaid transfers to the RDA occurring before July 1, 2015.

Effective Date: July 1, 2015.

Explanation of State Expenditures: *State Budget Committee:* The State Budget Committee will have to review and comment on any proposal by the RDA to fund an economic development project, and may request the RDA attend a public meeting concerning the funding proposal.

The State Budget Committee is comprised of four legislators and the state Budget Director. There are four additional legislators, who are known as alternates. The State Budget Committee met seven times in 2014 and had expenses of \$28,800.

Explanation of State Revenues:

Explanation of Local Expenditures: *Northwest Indiana Regional Development Authority (RDA):* The RDA may incur additional costs to have the State Budget Committee review and comment on proposals, including the cost of travel to public meetings of the State Budget Committee and additional preparation or review time to incorporate comments. The costs are indeterminate and will be based on the proposal undertaken and the comments of the State Budget Committee.

Further, changes to the types of projects the RDA may fund will have an indeterminate fiscal impact on the RDA and its projects. The types of economic development projects that the RDA may undertake will be primarily focused on transportation and lakeshore development.

Under current law, the RDA can invest in projects that promote significant opportunities for gainful employment, attract a major new business enterprise, or retain or expand a significant business enterprise. An economic development project for the RDA under the bill would be a project related to the Gary Airport, the Lake Michigan Marina and Lake Shore development, a bus service, a transportation authority, infrastructure for an intermodal facility, or the Marquette Plan.

Explanation of Local Revenues: *Admissions Tax Distributions to the RDA:* The bill makes changes to the distribution of riverboat admissions tax revenue and supplemental hold-harmless (admissions tax guarantee) payments to Lake County, Hammond, Gary, and East Chicago. It also makes changes to payments by these four units to the RDA.

Starting in FY 2016, the bill requires the Treasurer of State to distribute up to \$3.5 M in riverboat admissions tax and supplemental hold-harmless payments that Lake County, Hammond, Gary, and East Chicago each would otherwise receive, to the RDA. If there is still a shortfall on the \$3.5 M amount annually owed by each unit, the unit may pay the amount due to the RDA from any source other than property tax revenues. This change will result in reducing the flexibility provided to Lake County, Hammond, Gary, and East Chicago in sourcing the payment to the RDA. It could also result in increasing the timeliness of these payments and consequently reducing any future accounts receivable for the RDA. The FY 2014 distributions to these local units are reported in the table below.

**FY 2014 Admissions Tax Distributions and Supplemental Hold-Harmless Payments
(in millions)**

Local Unit	Admissions Tax	Supplemental Payments	Total
Lake County	\$9.4	\$6.9	\$16.3
Hammond	\$4.5	\$0.1	\$4.6
Gary	\$2.4	\$3.6	\$6.0
East Chicago	\$2.4	\$3.2	\$5.6

Current law requires that Lake County, Hammond, Gary, and East Chicago must transfer \$3.5 M annually to the RDA from any of the following: (1) riverboat admissions tax revenue; (2) riverboat wagering tax revenue; (3) riverboat incentive payments received by a city or county; (4) County Economic Development Income Tax revenue received by a county or city; or (5) any other local revenue other than property tax.

Accounts Receivable from Lake County Units to the RDA: The bill provides that the RDA may certify any accounts receivable from Lake County, Hammond, Gary, or East Chicago on June 30, 2015. The Treasurer of State is required to pay the amount due plus interest to the RDA from the local unit's share of riverboat admissions tax or riverboat wagering tax revenue. Interest is based on the delinquency rate promulgated by the Department of State Revenue.

On January 20, 2015, the RDA had outstanding receivables in the amount of \$6.1 M from Hammond. This amount was required to be paid to the RDA by Hammond during 2012 to 2014. Depending on the actions of the RDA, this could result in the Treasurer of State intercepting \$6.45 M in FY 2016 from riverboat wagering tax distributions to Hammond and instead distributing the funds to the RDA. As specified above, \$6.1 M of this amount would be a reduction in accounts receivable for Hammond. The remaining \$0.35 M of that amount would be interest payments by Hammond that would not occur in absence of this bill.

State Agencies Affected: Treasurer of State, Auditor of State, State Budget Committee.

Local Agencies Affected: RDA, Lake County, Hammond, Gary, East Chicago.

Information Sources: Sherri Ziller, Indiana regional Development Authority, <http://www.in.gov/rda/> ; Indiana Transparency Portal, <http://www.in.gov/itp/>

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